

HONORABLE ROSEMARIE E. AQUILINA
INGHAM COUNTY CIRCUIT JUDGE
GENERAL TRIAL DIVISION



313 W. KALAMAZOO STREET
LANSING, MICHIGAN 48933
PHONE: (517) 483-6526
FAX: (517) 483-6534
E-MAIL: RAQUILINA@INGHAM.ORG

State of Michigan
Ingham County Circuit Court

PROOF OF SERVICE

I hereby certify I served a copy of the Order of Declaratory Judgment in case number 13-734-CZ upon Plaintiffs, Defendants, and the President of the United States, Barack Obama, by placing the Order of Declaratory Judgment in case number 13-734-CZ in sealed envelopes addressed to John R. Canzano, attorney for Plaintiffs, Thomas Quasarano and Brian Devlin, attorneys for Defendants, and President Barack Obama, and deposited for mailing with the United States Mail at Lansing, Michigan on July 23, 2013.

JOHN R. CANZANO
McKNIGHT, McCLOW, CANZANO, SMITH & RADTKE, P.C.
400 GALLERIA OFFICENTRE, SUITE 117
SOUTHFIELD, MICHIGAN 48034


THOMAS QUASARANO
BRIAN DEVLIN
ASSISTANT ATTORNEY GENERAL
STATE OPERATIONS DIVISION
2ND FLOOR G. WILLIAMS BUILDING
525 WEST OTTAWA STREET
P.O. BOX 30754
LANSING, MICHIGAN 48909

PRESIDENT BARACK OBAMA
PRESIDENT OF THE UNITED STATES OF AMERICA
THE WHITE HOUSE
1600 PENNSYLVANIA AVENUE NW
WASHINGTON, DC 20500

Dept of Attorney General

AUG 06 2013

State Operations Division
RECEIVED


Morgan E. Cole (P75166)
Law Clerk to the Honorable Rosemarie E. Aquilina

STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR THE COUNTY OF INGHAM

GRACIE WEBSTER and
VERONICA THOMAS,

Plaintiffs,

vs

Case No. 13-734-CZ
Hon. Rosemarie Aquilina

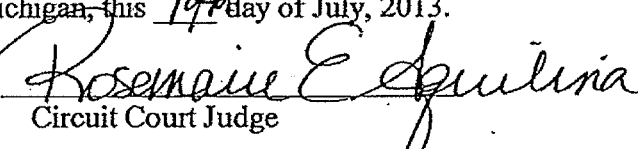
THE STATE OF MICHIGAN;
RICHARD SNYDER, as Governor
of the State of Michigan; and
ANDY DILLON, as Treasurer of
the State of Michigan,

Defendants.

ORDER OF DECLARATORY JUDGMENT

At a session of said Court held in Ingham County Circuit Court,
State of Michigan, this 19th day of July, 2013.

PRESENT:


Circuit Court Judge

Plaintiffs request declaratory relief pursuant to MCR 2.605 concerning (1) the constitutionality under Article IX Section 24 of the Michigan Constitution of the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541, *et seq.* ("PA 436"), insofar as PA 436 permits the Governor to authorize an emergency manager to proceed under chapter 9 of the bankruptcy code, chapter 9 of title 11 of the United States Code, 29 USC 901 to 946 ("Chapter 9") in a manner which threatens to diminish or impair accrued pension benefits; and (2) the

authority of the Governor and/or State Treasurer to authorize an emergency manager to proceed under Chapter 9 in a manner which threatens to diminish or impair accrued pension benefits.

Plaintiffs have requested, and Defendants have agreed in their Response, that the hearing in this matter may be advanced pursuant to MCR 2.605(D) and the court finds that expedited treatment is appropriate and that final declaratory relief is proper at this time.

The Court having reviewed the parties filings and submissions, and having heard oral argument by counsel for the parties, and being otherwise fully advised in the premises, and for the reasons stated on the record,

IT IS HEREBY ORDERED:

PA 436 is unconstitutional and in violation of Article IX Section 24 of the Michigan Constitution to the extent that it permits the Governor to authorize an emergency manager to proceed under Chapter 9 in any manner which threatens to diminish or impair accrued pension benefits; and PA 436 is to that extent of no force or effect;

The Governor is prohibited by Article IX Section 24 of the Michigan Constitution from authorizing an emergency manager under PA 436 to proceed under Chapter 9 in a manner which threatens to diminish or impair accrued pension benefits, and any such action by the Governor is without authority and in violation of Article IX Section 24 of the Michigan Constitution.

On July 16, 2013, City of Detroit Emergency Manager Kevyn Orr submitted a recommendation to Defendant Governor Snyder and Defendant Treasurer Dillon pursuant to Section 18(1) of PA 436 to proceed under Chapter 9, which together with the facts presented in Plaintiffs' filings, reflect that Emergency Manager Orr intended to diminish or impair accrued pension benefits if he were authorized to proceed under Chapter 9. On July 18, 2013, Defendant

Governor Snyder approved the Emergency Manager's recommendation without placing any contingencies on a Chapter 9 filing by the Emergency Manager; and the Emergency Manager filed a Chapter 9 petition shortly thereafter. By authorizing the Emergency Manager to proceed under Chapter 9 to diminish or impair accrued pension benefits, Defendant Snyder acted without authority under Michigan law and in violation of Article IX Section 24 of the Michigan Constitution.

In order to rectify his unauthorized and unconstitutional actions described above, the Governor must (1) direct the Emergency Manager to immediately withdraw the Chapter 9 petition filed on July 18, and (2) not authorize any further Chapter 9 filing which threatens to diminish or impair accrued pension benefits.

A copy of this Order shall be transmitted to President Obama.

It is so Ordered.

Rosemarie E. Aquilina
P37670

Circuit Court Judge

THE GENERAL RETIREMENT SYSTEM
OF THE CITY OF DETROIT, and THE
POLICE AND FIRE RETIREMENT SYSTEM
OF THE CITY OF DETROIT,

Plaintiffs,

▽

Case No. 13-768-CZ
Hon. Rosemarie Aquilina

KEVYN D. ORR, in his official capacity
as the EMERGENCY MANAGER OF THE CITY OF
DETROIT, and RICHARD SNYDER, in his
official capacity as the GOVERNOR OF THE
STATE OF MICHIGAN,

Defendants.

GRACIE WEBSTER and
VERONICA THOMAS,

Plaintiffs,

V

Case No. 13-734-CZ
Hon. Rosemarie Aquilina

THE STATE OF MICHIGAN; RICHARD SNYDER, as Governor of the State of Michigan; and ANDY DILLON, as Treasurer of the State of Michigan,

Defendants.

ROBBIE FLOWERS, MICHAEL WELLS,
JANET WHITSON, MARY WASHINGTON,
and BRUCE GOLDMAN,

Plaintiffs,

V

Case No. 13-729-CZ
Hon. Rosemarie Aquilina

RICK SNYDER, as the Governor of the State of Michigan; ANDY DILLON, as the Treasurer of the State of Michigan; and the STATE OF MICHIGAN,

Defendants.

MOTION FOR PRELIMINARY INJUNCTION

1 BEFORE THE HON. ROSEMARIE AQUILINA, CIRCUIT JUDGE
2 Ingham County, Michigan - Thursday, July 18, 2013
3

4 APPEARANCES:

5 For Plaintiffs Retirement Systems:

6 RONALD A. KING (P45088)
7 MICHAEL J. PATTWELL (P72419)
8 CLARK HILL PLC
9 212 East Grand River Ave.
10 Lansing, MI 48906

11 For Plaintiffs Webster, et al.:

12 JOHN R. CANZANO (P30417)
13 Smith & Radtke, PC
14 400 Galleria Officentre, Ste. 117
15 Southfield, MI 48034

16 For Plaintiffs Flowers, et al.:

17 WILLIAM A. WERTHEIMER (P26275)
18 Attorney at Law
19 30515 Timberbrook Lane
20 Bingham Farms, MI 48025

21 For the Defendants:

22 THOMAS QUASARANO (P27982)
23 Assistant Attorney General
24 State Operations Division
25 P.O. Box 30754
 Lansing, MI 48909

26 REPORTED BY:

27 Melinda I. Dexter, RMR, RPR, CSR-4629
28 Official Court Reporter
29 313 W. Kalamazoo
30 Post Office Box 40771
31 Lansing, MI 48901-7971

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WITNESSES:

None

EXHIBITS:

None

<p>1 Ingham County, Michigan</p> <p>2 Thursday, July 18, 2013 - At 4:15 p.m.</p> <p>3 MR. KING: Good afternoon.</p> <p>4 THE COURT: Good afternoon. We have everybody</p> <p>5 here?</p> <p>6 MR. KING: They are.</p> <p>7 THE COURT: All right. This is Docket</p> <p>8 13-768-CZ, the General Retirement System of the City of</p> <p>9 Detroit and the Police and Fire Retirement System of the</p> <p>10 City of Detroit versus Kevin D. Orr, in his official</p> <p>11 capacity as the Emergency Manager of the City of Detroit,</p> <p>12 and Richard Snyder, in his official capacity as the</p> <p>13 Governor of the State of Michigan.</p> <p>14 Counsel, your appearances for the record.</p> <p>15 MR. KING: Good afternoon, your Honor. Ron</p> <p>16 King with Clark Hill on behalf of the Plaintiffs, the</p> <p>17 General Retirement System of the City of Detroit and the</p> <p>18 Police and Fire Retirement System of the City of Detroit.</p> <p>19 THE COURT: Welcome.</p> <p>20 MR. KING: Thank you.</p> <p>21 MR. QUASARANO: Your Honor, if I may, Thomas</p> <p>22 Quasarano, Assistant Attorney General, that will be</p> <p>23 appearing in this case on behalf of the Defendant. I</p> <p>24 believe the Defendant was served yesterday. We have not</p> <p>25 received a request for representation, but I'm very</p> <p style="text-align: center;">4</p>	<p>1 ...?</p> <p>2 MR. KING: Your Honor, Ron King again on behalf</p> <p>3 of the Plaintiffs, the Detroit Retirement Systems. We</p> <p>4 might need to beg the Court's indulgence. While we</p> <p>5 appreciate that you have seen us on very short notice,</p> <p>6 we've been advised that the City has filed, and we're</p> <p>7 pulling it up on the electronic filing system, so we</p> <p>8 might need a few minutes here to figure out our very next</p> <p>9 step.</p> <p>10 THE COURT: Okay.</p> <p>11 MR. KING: Because the effect of a bankruptcy</p> <p>12 filing, if, in fact, that's -- we're trying to conform</p> <p>13 that. We think, in fact, it has been filed here within</p> <p>14 the last half hour. So we probably need about a</p> <p>15 ten-minute recess here, if the Court would indulge us. I</p> <p>16 know you have another matter.</p> <p>17 THE COURT: Do we want to make a phone call?</p> <p>18 MR. KING: Yeah. We can, but we're pretty --</p> <p>19 THE COURT: Well, here's the thing: If they</p> <p>20 haven't filed, we need to hurry up and proceed. If they</p> <p>21 have filed --</p> <p>22 MR. KING: We're pretty confident that they</p> <p>23 filed.</p> <p>24 Right?</p> <p>25 I mean, we're pulling it up. Yeah. It's been</p> <p style="text-align: center;">6</p>
<p>1 likely going to be asked to represent the Governor.</p> <p>2 THE COURT: Sir?</p> <p>3 MR. WERTHEIMER: Excuse me, your Honor,</p> <p>4 William Wertheimer. I apologize for my dress.</p> <p>5 THE COURT: No problem. I know it's last</p> <p>6 minute. I don't care how people are dressed. It's more</p> <p>7 important that you are here.</p> <p>8 MR. WERTHEIMER: Thank you, your Honor. I was</p> <p>9 here to file my reply brief today for the Monday hearing.</p> <p>10 I am now here knowing that this motion has been filed,</p> <p>11 and I wanted to enter my appearance.</p> <p>12 THE COURT: All right. You may have a seat.</p> <p>13 There is plenty of room for all.</p> <p>14 MR. WERTHEIMER: Thank you.</p> <p>15 MR. CANZANO: Your Honor, excuse me, John</p> <p>16 Canzano, Plaintiffs' attorney in the Webster case. Same</p> <p>17 as Mr. Wertheimer, we just found out about this. I'm</p> <p>18 here. My reply brief is being filed. I have a judge's</p> <p>19 copy here somewhere.</p> <p>20 THE COURT: All right. Have a seat.</p> <p>21 MR. KING: Your Honor --</p> <p>22 THE COURT: Anybody else?</p> <p>23 MR. PATTWELL: Your Honor, Michael Pattwell</p> <p>24 from Clark Hill on behalf of Plaintiffs.</p> <p>25 THE COURT: Thank you.</p> <p>13-53846-swr Doc 1219-9 Filed 10/17/13 Entered 10/17/13 13:56:17 Page 4 of 8 990</p>	<p>1 confirmed. So I'm not sure where that leaves us with</p> <p>2 this proceeding because it's going to be pretty hard to</p> <p>3 undue. It's been done.</p> <p>4 MR. WERTHEIMER: There is no automatic stay in</p> <p>5 this.</p> <p>6 MR. KING: Yeah. What we're here for -- the</p> <p>7 really --</p> <p>8 What counsel is saying is there is no automatic</p> <p>9 stay with respect to this proceeding. So in our</p> <p>10 judgment, this matter will proceed. What you have before</p> <p>11 you, however, is a motion for temporary restraining order</p> <p>12 to enjoin certain conduct that's already occurred. So</p> <p>13 I'm not sure that we really have a lot of business in</p> <p>14 front of the Court at this moment, but I would like to</p> <p>15 just confer for about ten minutes on that issue because</p> <p>16 we will proceed in the case. And if we're here and you</p> <p>17 want to take the time to set some sort of expedited</p> <p>18 briefing schedule, we could do that also.</p> <p>19 It's quite likely that you, your Honor, will be</p> <p>20 able to make a ruling on the merits of this case in</p> <p>21 advance of whatever occurs in the context of a Chapter 9</p> <p>22 filing.</p> <p>23 THE COURT: I plan on making a ruling on</p> <p>24 Monday. I could make a ruling tomorrow, if push came to</p> <p>25 shove, but Monday would probably be soon enough. I am</p> <p style="text-align: center;">7</p>

1 confident that the bankruptcy court won't act as quickly
2 as I will.

3 MR. KING: Yeah. I'm not sure, but we'll see.
4 I mean, there might -- but, nevertheless, so we should --
5 If you're prepared to rule on the merits on
6 Monday, again I'm not sure what -- if there is much
7 business for us left to do before the Court today.

8 THE COURT: Unless some kind of -- I don't
9 really have any authority over them, so.

10 MR. KING: Right.

11 THE COURT: I don't think anything --
12 Counsel?

13 MR. WERTHEIMER: Your Honor, the motion that's
14 up for Monday, our motion at least that's up for Monday,
15 is a request for a preliminary injunction to enjoin the
16 Governor. We have no evidence the Governor has
17 authorized any bankruptcy, and we would not only want to
18 go forward on Monday but ask that the motion for
19 preliminary injunction be moved up to now, hopefully, to
20 tomorrow morning if the Court will not hear it now. But
21 I don't think there is any reason why the Court cannot
22 hear our motion for preliminary injunction.

23 I'm not talking about in terms of the Court's
24 preparedness but in terms of the apparent filing. They
25 may have filed. But nobody -- I asked the Governor's

8

1 Office before we came in here -- er, the Attorney General
2 whether they could make any representations to me that
3 would obviate the need for me going forward, and they
4 could not.

5 So we've got a written, fully briefed request/
6 motion for preliminary injunction. The Attorney
7 General's Office has briefed it. Time is obviously of
8 the essence. I would suggest that the Court hear our
9 motion to preliminarily enjoin the Governor authorizing a
10 bankruptcy now.

11 MR. CANZANO: Your Honor, I would make
12 essentially the same request except that our motion,
13 although it seeks preliminary injunctive relief in the
14 alternative, it primarily seeks a final declaratory
15 judgment that what has just happened, apparently, is
16 unconstitutional, and that is ready for a final decision
17 we were saying on Monday. We have a reply brief that has
18 just been filed, and we would -- we could -- this Court
19 could issue that order immediately, and I don't know what
20 the consequences for the bankruptcy court would be,
21 necessarily, but I think it would -- it might make a
22 difference.

23 MR. WERTHEIMER: I'm sorry, and I think that at
24 a minimum, your Honor, I think we should -- I think the
25 Court should decide the preliminary injunction now, but

1 we should get out from the Office of the Attorney
2 General whether the Governor has authorized a bankruptcy
3 that has done the act that we were attempting to enjoin
4 and that they knew we were attempting to enjoin and that
5 they've known for the last two weeks and that they're
6 filing briefs on saying that it's not ripe. The
7 attorneys for the Government have represented to this
8 Court that our motion is not ripe.

9 THE COURT: I just received a note from my law
10 clerk that says the bankruptcy was filed at 4:06.

11 MR. KING: Right. Your Honor, so what we'd
12 like to do here is amend our emergency motion for
13 temporary restraining order and get it and request from
14 this Court an order enjoining the Governor and the
15 Emergency Manager from taking any further action in the
16 bankruptcy proceeding, and we'll modify our order to that
17 effect.

18 MR. WERTHEIMER: I would join that as to the
19 Governor. We have not sued the Detroit Emergency
20 Manager, but I would orally join in that motion as to the
21 Governor and the Secretary of the Treasury.

22 MR. CANZANO: I would say the same in our case.
23 We're not joining their motion but we're making a motion
24 in our case that would be the same as theirs only against
25 the Governor.

10

1 THE COURT: Granted, as to all of your
2 requests.

3 How soon are you going to present me with an
4 order?

5 MR. KING: Right now.

6 THE COURT: All right.

7 MR. KING: We just need to mark up the order
8 that we have for the Court.

9 THE COURT: Absolutely.

10 MR. QUASARANO: Your Honor, if I may, we would
11 ask that the Court stay enforcement of the order, and
12 your ruling on that would be appreciated at this time.

13 THE COURT: Denied.

14 MR. QUASARANO: Thank you. We'll present an
15 order as soon as possible.

16 THE COURT: Thank you.

17 MR. QUASARANO: Thank you, Judge.

18 MR. WERTHEIMER: Your Honor, we will need a few
19 minutes to prepare a written order, but if we can --

20 THE COURT: Well, sir, would you like to copy
21 that and modify what they're doing? My law clerk will be
22 happy to help you.

23 MR. WERTHEIMER: Thank you, your Honor.

24 THE COURT: As to your stay, you'll be getting
25 that to me in --

1 MR. QUASARANO: be I can just make a call
2 and get an order over to you right yet today.
3 THE COURT: Sure. You can even handwrite it.
4 I don't care how we do it. You can run it over here, fax
5 it over here; whatever gets you the job done. Time is of
6 the essence.

7 MR. QUASARANO: I appreciate that.

8 MR. KING: (Approaching the bench.)

9 Your Honor, Ron King again on behalf of the
10 Plaintiffs. If we could go back on the record.

11 THE COURT: Excuse me.

12 MR. KING: We'd like to set the sequence of
13 events in terms of how things have transpired in the last
14 hour, if you will. Just for the record, our motion for
15 emergency temporary restraining order was filed at
16 3:37 p.m.; that is, today, July 18th. We promptly, well
17 in advance of 4 o'clock and probably within -- well,
18 actually, we had delivered prior to the filing time at
19 3:37 Judge's copies to chambers for your review.

20 Then we waited for the Attorney General, who
21 doesn't feel compelled to make an appearance here in this
22 case because he hasn't actually been officially retained
23 yet, but, nevertheless, as a courtesy we waited for him
24 to appear, which he came upstairs sometime around 4:10.
25 We understand the bankruptcy filing was at 4:05?

12

1 THE COURT: 4:06.

2 MR. KING: 4:06. The Court took the bench at
3 approximately 4:20. And to the extent your Honor has had
4 an opportunity to read the papers and was inclined to
5 make a ruling, if you'd be willing to put that on the
6 record, then in the -- when we do seek dismissal of the
7 bankruptcy proceeding, we'll have some clear record of
8 the sequence of events here.

9 MR. WERTHEIMER: Just to add, in terms of the
10 sequence of events, I did advise by telephone
11 Mr. Quasarano of the fact that I would be in court and
12 that it was my understanding that Clark Hill was going to
13 be in court seeking a temporary restraining order. I
14 talked to him by phone before 4 this afternoon, sometime
15 between 3:30 and 4.

16 MR. QUASARANO: And I could confirm that
17 Mr. Wertheimer gave me the professional courtesy of
18 letting me know that there was a hearing being planned.
19 I had no -- we have no personal knowledge in our division
20 of a bankruptcy being filed any certain time or date, so
21 there is nothing we could provide in terms of a response
22 that there is going to be a bankruptcy filed. So we
23 learned it as everyone else learned.

24 THE COURT: All right. And obviously I heard
25 this was happening. I had another hearing that was

1 supposed to be in place at 4 o'clock, and I understood
2 this was a very important issue, and we obviously have a
3 hearing scheduled, another hearing scheduled, at
4 9 o'clock on Monday.

5 So I advised my law clerk that we had a
6 4 o'clock hearing that wasn't going to take very long,
7 and whenever you all got here and that we would wait for
8 all of the attorneys, we would then have a hearing and to
9 let me know when everybody was in place and then I would
10 come out.

11 So that's exactly what happened. She let me
12 know everybody was here, gave me the paperwork to look
13 over, and, of course, I did just that. And we got out of
14 here as quickly as we could, obviously not in time
15 because 4:06 occurred and they did what they were going
16 to do, which I know you all raised here.

17 I did have an opportunity to -- with review of
18 what was filed, and you're asking me what I would have
19 done, and it was my intention, after reviewing what you
20 had filed, in addition to other research that my capable
21 externs from Cooley and from Michigan State, as well as
22 my very capable law clerk pulled for me, I reviewed
23 constitutional provisions, I reviewed legislative intent,
24 I reviewed what you all provided me, I reviewed a lot of
25 information in the last few hours, and it was my

14

1 intention to grant you your request completely.

2 MR. KING: Thank you, your Honor. Appreciate
3 your clarifying the record.

4 MR. WERTHEIMER: Thank you, your Honor.
5 Your Honor, we have a proposed order.

6 THE COURT: You may approach. Thank you.

7 MR. WERTHEIMER: Thank you. It is handwritten.
8 (Approaching the bench.)

9 THE COURT: No problem.

10 MR. WERTHEIMER: And for caption, it just says,
11 at this point, Flowers Caption.

12 THE COURT: Okay.

13 MR. WERTHEIMER: I had some help in drafting
14 too if you can't read the --

15 THE COURT: We'll make it work.

16 MR. WERTHEIMER: Okay. Thank you, Judge.

17 MR. KING: We may be back tomorrow, your Honor.

18 MR. WERTHEIMER: We may be back too,
19 your Honor. And if we are, I will be in a suit.

20 THE COURT: It's okay. As long as your body is
21 covered, I don't care what's it's covered with.

22 MR. KING: I think with respect to the present
23 motion before you, we have an order in place and
24 appreciate you making the accommodation and time for us
25 today. Thank you.

1 THE COURT: No problem.
2 Now, if you're back tomorrow, what is it going
3 to be for?
4 MR. KING: We might file a mandamus action
5 requiring the EM to withdraw the Chapter 9 filing.
6 THE COURT: Will this require time on the
7 record?
8 MR. KING: Yes.
9 THE COURT: Okay. My time restriction is that
10 I have my morning free until about 1:30. Can you get it
11 here before 1:30?
12 MR. PATTWELL: Yes.
13 MR. KING: Absolutely.
14 THE COURT: I'll make myself available all
15 morning until 1:30.
16 MR. KING: Thank you, your Honor.
17 THE COURT: Okay.
18 MR. CANZANO: May I approach, your Honor? I
19 have an order drafted also.
20 THE COURT: You may.
21 MR. CANZANO: (Approaching the bench.)
22 THE COURT: Okay. We'll make you copies, and
23 this is our copy.
24 Anything else for the record?
25 MR. KING: No, your Honor. Thank you.

16

1 MR. WERTHEIMER: No, your Honor. Thank you.
2 THE COURT: That's all for the record. Thank
3 you.

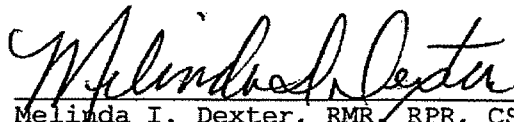
4 (At 4:38 p.m., the matter is
5 concluded.)
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1 STATE OF MICHIGAN)
2) SS.
3 COUNTY OF INGHAM)

4 CERTIFICATE OF REPORTER

5
6 I, Melinda I. Dexter, Certified Shorthand
7 Reporter, do hereby certify that the foregoing
8 17 pages comprise an accurate, true, and complete
9 transcript of the proceedings and testimony taken in the
10 case of The General Retirement System of the City of
11 Detroit, et al., versus Kevyn D. Orr, et al., Case
12 No. 13-768-CZ, and Gracie Webster, et al., versus the
13 State of Michigan, et al., Case No. 13-734-CZ, and
14 Robbie Flowers, et al., versus Rick Snyder, et al., Case
15 No. 13-729-CZ, on Thursday, July 18, 2013.

16 I further certify that this transcript of the
17 record of the proceedings and testimony truly and
18 correctly reflects the exhibits, if any, offered by the
19 respective parties. WITNESS my hand this the eighteenth
20 day of July, 2013.

21
22 
23 Melinda I. Dexter, RMR, RPR, CSR-4629
24 Official Court Reporter
25 313 West Kalamazoo
Post Office Box 40771
Lansing, Michigan 48901-7971

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STATE OF MICHIGAN
30TH JUDICIAL CIRCUIT COURT FOR THE COUNTY OF INGHAM
CIVIL DIVISION

GRACIE WEBSTER and
VERONICA THOMAS,

Plaintiffs,

v

Case No. 13-734-CZ
Hon. Rosemarie Aquilina

THE STATE OF MICHIGAN; RICHARD
SNYDER, as Governor of the State
of Michigan; and ANDY DILLON,
as Treasurer of the State of
Michigan,

Defendants.

ROBBIE FLOWERS, MICHAEL WELLS,
JANET WHITSON, MARY WASHINGTON,
and BRUCE GOLDMAN,

Plaintiffs,

v

Case No. 13-729-CZ
Hon. Rosemarie Aquilina

RICK SNYDER, as the Governor of the
State of Michigan; ANDY DILLON, as
the Treasurer of the State of Michigan;
and the STATE OF MICHIGAN,

Defendants.

MOTION TO AMEND PRELIMINARY INJUNCTION

MOTION FOR DEFAULT JUDGMENT

MOTION FOR SUMMARY DISPOSITION

BEFORE THE HON. ROSEMARIE AQUILINA, CIRCUIT JUDGE

Ingham County, Michigan - Friday, July 19, 2013

1 APPEARANCES:
2
3 For Plaintiffs Webster, et al.:
4 JOHN R. CANZANO (P30417)
5 Smith & Radtke, PC
6 400 Galleria Officentre, Ste. 117
7 Southfield, MI 48034
8
9 For Plaintiffs Flowers, et al.:
10 WILLIAM A. WERTHEIMER (P26275)
11 Attorney at Law
12 30515 Timberbrook Lane
13 Bingham Farms, MI 48025
14
15 For State Defendants:
16 THOMAS QUASARANO (P27982)
17 BRIAN DEVLIN (P34685)
18 Assistant Attorney General
19 State Operations Division
20 P.O. Box 30754
21 Lansing, MI 48909
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WITNESSES:

None

EXHIBITS:

None

<p>1 Ingham County, Michigan</p> <p>2 Friday, July 19, 2013 - At 11:25 a.m.</p> <p>3 THE COURT: Okay. All right. Robert Flowers,</p> <p>4 Michael Wells, Janet Whitson, Mary Washington, and Bruce</p> <p>5 Goldman versus Rick Snyder, as the Governor of the State</p> <p>6 of Michigan; Andy Dillon, as the Treasurer of the State</p> <p>7 of Michigan; and the State of Michigan, Docket 13-729-CZ.</p> <p>8 Counsel, your appearance for the record.</p> <p>9 MR. WERTHEIMER: William Wertheimer,</p> <p>10 your Honor, on behalf of Plaintiffs.</p> <p>11 MR. CANZANO: Your Honor, John Canzano. I'm</p> <p>12 not counsel in that case. I'm here on the Webster case.</p> <p>13 THE COURT: Okay. Thank you.</p> <p>14 MR. QUASARANO: Thomas Quasarano, Assistant</p> <p>15 Attorney General on behalf of the State Defendants.</p> <p>16 MR. DEVLIN: And Brian Devlin, Assistant</p> <p>17 Attorney General.</p> <p>18 THE COURT: Thank you.</p> <p>19 Counsel?</p> <p>20 MR. WERTHEIMER: Your Honor, Plaintiffs are</p> <p>21 here today in order to request that the Court enter</p> <p>22 either a corrected or amended preliminary injunction</p> <p>23 order. The Court, I'm sure, recalls the circumstances</p> <p>24 yesterday. We have had a chance to have your order</p> <p>25 typed. We reviewed it. There were some mistakes in it.</p> <p style="text-align: center;">4</p>	<p>1 whatever the Court's preference would be.</p> <p>2 THE COURT: Well, I'm going to sign this, and I</p> <p>3 haven't compared the two. I think we probably should</p> <p>4 call it an amended order.</p> <p>5 MR. WERTHEIMER: Okay.</p> <p>6 THE COURT: But let me just say that your stay</p> <p>7 is denied.</p> <p>8 MR. QUASARANO: Thank you, your Honor.</p> <p>9 Maybe --</p> <p>10 THE COURT: Counsel?</p> <p>11 MR. QUASARANO: Maybe doing another separate</p> <p>12 order makes the most sense, and we can do that using the</p> <p>13 forms provided by the Court.</p> <p>14 THE COURT: Okay. Thank you.</p> <p>15 MR. QUASARANO: Thank you.</p> <p>16 MR. WERTHEIMER: Your Honor, one other thing</p> <p>17 that may be related to that, and that is, the order the</p> <p>18 Court is entering, consistent with the order the Court</p> <p>19 entered yesterday, provides us with the relief that we</p> <p>20 were seeking by our motion which was scheduled for</p> <p>21 hearing Monday at 9 o'clock.</p> <p>22 The Attorney General had also noticed a motion</p> <p>23 to dismiss for Monday at 9 o'clock. It was not timely in</p> <p>24 the sense that he did not give the appropriate time</p> <p>25 period for us to respond. In the reply brief I filed</p> <p style="text-align: center;">6</p>
<p>1 For example, the heading still said temporary restraining</p> <p>2 order from the other case where it was clear from the</p> <p>3 record and from the body, even, of the order that it was</p> <p>4 a preliminary injunction. So we made that change. We</p> <p>5 typed everything. We put in the attorneys' names and the</p> <p>6 case name.</p> <p>7 We made a couple of other changes, which I have</p> <p>8 indicated to the Court off the record on another copy of</p> <p>9 the injunctive order. And I would -- we would -- I'm</p> <p>10 happy to go over each of those, if the Court needs.</p> <p>11 Otherwise, I would request that the Court issue this</p> <p>12 preliminary injunction. I did not know whether the Court</p> <p>13 would want to refer to it as corrected, amended, or not</p> <p>14 refer to it at all. So I left that blank. But we would</p> <p>15 ask that the Court enter the order that we presented</p> <p>16 today to conform to the Court's ruling yesterday.</p> <p>17 THE COURT: Counsel?</p> <p>18 MR. QUASARANO: Yes, your Honor. As your Honor</p> <p>19 knows, we moved for a stay, and so I would ask either</p> <p>20 that the stay that was denied yesterday be identified in</p> <p>21 the modified order, or we can present another stay. I</p> <p>22 would assume that the Court would not grant a stay of</p> <p>23 this order consistent with yesterday. So either to</p> <p>24 identify it in this modified order as a stay was</p> <p>25 requested and denied, or we can just do another order,</p> <p>13-53846-swr Doc 1219-10 Filed 10/17/13</p>	<p>1 yesterday, we objected to that and said that we did not</p> <p>2 agree to expedited. There was no order expediting and</p> <p>3 suggested that the Court deny the -- their motion for</p> <p>4 that reason, but I raise it now just to indicate that</p> <p>5 that also is out there and that maybe we want -- we want</p> <p>6 another order dealing with that issue.</p> <p>7 Our position is that it's not timely and that</p> <p>8 it shouldn't be heard Monday-in any event. I don't know</p> <p>9 whether the Attorney General intends to proceed on Monday</p> <p>10 on it.</p> <p>11 MR. QUASARANO: Your Honor, we do understand</p> <p>12 that under MCR 2.119, the motion for summary disposition</p> <p>13 is a 21-day period. We sought stipulation of counsel.</p> <p>14 They were kind enough to look at the briefs first to</p> <p>15 decide whether they would stipulate. They chose not to.</p> <p>16 We also sought the endorsement on our notice of</p> <p>17 hearing from the Court to allow the hearing on Monday.</p> <p>18 Yesterday at bench we discussed if we needed to -- we</p> <p>19 needed to set a hearing date on the dispositive motions.</p> <p>20 The Court is at liberty to have those heard today or on</p> <p>21 Monday or at such other time. Our notice of hearing did</p> <p>22 say "or at such other time as the Court may order" on the</p> <p>23 notice of hearing itself. Thanks.</p> <p>24 MR. CANZANO: Your Honor, if I could make a</p> <p>25 point that is related to that issue?</p> <p>Entered 10/17/13 13:56:17 Page 4 of 13 998</p>

<p>1 THE COURT: Yes, sir.</p> <p>2 MR. CANZANO: We've -- we've presented a motion</p> <p>3 this morning, an emergency motion, to advance the hearing</p> <p>4 on our motion for declaratory judgment that's set for</p> <p>5 Monday to today. It would be my intention to deal only</p> <p>6 with the declaratory judgment part of it today, not the</p> <p>7 injunction part of it. And they've already -- they've</p> <p>8 agreed that that can be expedited. I don't know that</p> <p>9 they've agreed that it can be expedited to today, but</p> <p>10 they agree that it could be expedited to Monday.</p> <p>11 So if -- that part of it, either today or</p> <p>12 Monday, that would be a final declaratory judgment. My</p> <p>13 preference is to do it today.</p> <p>14 THE COURT: Is that correct?</p> <p>15 MR. QUASARANO: Well, I believe under 2.605(D),</p> <p>16 they can seek an expedited hearing, and certainly the</p> <p>17 Court has the authority to issue that. I think by not</p> <p>18 entertaining a dispositive motion, we're not going to</p> <p>19 have a complete argument. Mr. Devlin will be arguing for</p> <p>20 the State. But we do acknowledge what the court rule</p> <p>21 says, that's correct.</p> <p>22 THE COURT: Well, are you objecting to having</p> <p>23 it heard today?</p> <p>24 MR. QUASARANO: We will not object in the</p> <p>25 interest of judicial economy.</p> <p style="text-align: right;">8</p>	<p>1 that, or will you be amending that?</p> <p>2 MR. QUASARANO: No. I'll speak for Mr. Devlin</p> <p>3 here for a moment only. In the notice of hearing, we</p> <p>4 indicated to advance it to that date because of all the</p> <p>5 other activities in this case or such other time as the</p> <p>6 Court may order.</p> <p>7 I do point out that in the Flowers case in the</p> <p>8 prayer for relief is a reference to declaratory judgment.</p> <p>9 Both cases are asking for both reliefs; preliminary and</p> <p>10 declaratory judgment. Preliminary injunction motions</p> <p>11 were granted. Our brief talks about the alternative,</p> <p>12 assuming arguendo there were a filing, a Chapter 9</p> <p>13 filing, and then we go into the basis for why there are</p> <p>14 grounds not to declare judgment, why there is some</p> <p>15 jurisdictional grounds.</p> <p>16 So I think that the brief is sufficiently</p> <p>17 adequate to address all of the issues that are still at</p> <p>18 issue in this case. Certainly there has been a factual</p> <p>19 change and those factual changes don't need to be</p> <p>20 addressed.</p> <p>21 MR. WERTHEIMER: I guess I just would reiterate</p> <p>22 if -- I need to know whether counsel is going forward on</p> <p>23 Monday with its motion to dismiss. I still haven't heard</p> <p>24 a yes or no.</p> <p>25 THE COURT: His answer is yes, Counsel.</p> <p style="text-align: right;">10</p>
<p>1 THE COURT: And your motion deals with that</p> <p>2 issue?</p> <p>3 MR. QUASARANO: It's a (C)(8) motion that would</p> <p>4 address whether there are grounds for a declaratory</p> <p>5 judgment, yes.</p> <p>6 THE COURT: Well, then --</p> <p>7 I'm sorry?</p> <p>8 MR. WERTHEIMER: I'm sorry. I may be confused</p> <p>9 now. Their motion that they filed in the Flowers case to</p> <p>10 dismiss deals with issues like ripeness. It's a (C)(4)</p> <p>11 and (C)(8) motion. Many of the facts have changed. I</p> <p>12 would think they would want to refile that, in any event.</p> <p>13 I mean, you know, to make an argument based on -- based</p> <p>14 on ripeness given what happened yesterday afternoon seems</p> <p>15 to me to be just, to use a lawyer's word, moot at this</p> <p>16 point. But I'm concerned only with their motion to</p> <p>17 dismiss in the Flowers case, not with anything related to</p> <p>18 Webster and whether we're to appear here Monday at 9 to</p> <p>19 -- per their notice or whether they've withdrawn that</p> <p>20 motion or not.</p> <p>21 THE COURT: Okay. Well, let's deal with the</p> <p>22 Flowers case.</p> <p>23 What is your intention in regard to Monday?</p> <p>24 Are you still asking the Court to hear your motion? It</p> <p>25 was not timely filed. Are you still asking me to hear</p> <p>13-53846-swr Doc 1219-10 Filed 10/17/13 Entered 10/17/13 10:56:17 Page 5 of 13-999</p> <p>13-53846-tjt Doc 2334-28 Filed 12/27/13 Entered 12/27/13 13:37:04 Page 17 of 13-999</p>	<p>1 MR. WERTHEIMER: Well, okay. If the answer is</p> <p>2 yes, I would just point out that it's clear under the</p> <p>3 rules that it is not timely; that no order has entered</p> <p>4 from this Court.</p> <p>5 THE COURT: You're right.</p> <p>6 MR. WERTHEIMER: Okay.</p> <p>7 THE COURT: You know what we're doing? We are</p> <p>8 under siege here. Well, we aren't; I'm not. Technically</p> <p>9 I am through paper, but all of you are. Detroit is. The</p> <p>10 State is. So I'm not going to go through the usual court</p> <p>11 rules and the time and all of that. You are all going to</p> <p>12 spend your weekend doing what lawyers do, and that's a</p> <p>13 lot of homework because we're going to have that hearing</p> <p>14 Monday unless you're asking me to do it now.</p> <p>15 I'm going to hear everything because we're not</p> <p>16 going to piecemeal this. You all know the case. I know</p> <p>17 the case. I've done the homework. I don't think myself</p> <p>18 or my staff got any sleep last night. We've been doing</p> <p>19 research. I bet if I called all of your wives and asked</p> <p>20 if you got any sleep, they'd be saying, "No. When is my</p> <p>21 husband going to get some sleep," right? So we're going</p> <p>22 to have a hearing, and I don't care if it's today or</p> <p>23 Monday. I'll come here Saturday, if you would like. I</p> <p>24 don't care. Let's get some answers, let's get a bottom</p> <p>25 line, and let's get this moving to the Court of Appeals</p>

<p>1 because that's where you all are headed. I don't care 2 what side you're on. Someone is going up, right? So I 3 have answers for you. Tell me your story. I've got the 4 solution. You might not like it.</p> <p>5 Can we move on?</p> <p>6 MR. QUASARANO: We're prepared to go today, or 7 we'll defer to brother counsel for Monday if more time is 8 needed.</p> <p>9 MR. WERTHEIMER: I'll go today. We can go 10 right now, I mean.</p> <p>11 THE COURT: Okay. I can go right now too. 12 How about you, sir?</p> <p>13 MR. CANZANO: I think we already agreed that 14 Webster could go today.</p> <p>15 MR. DEVLIN: Very well.</p> <p>16 THE COURT: We have an agreement. I think that 17 might be the only thing you all agree on. Hallelujah.</p> <p>18 MR. QUASARANO: Other than it's very hot 19 outside.</p> <p>20 THE COURT: Yeah. We can agree on that too. 21 Okay.</p> <p>22 Counsel? Well, let's let these gentlemen enter 23 so we don't make noise for the court reporter before we 24 proceed.</p> <p>25 Anybody else need to make an appearance?</p> <p style="text-align: center;">12</p>	<p>1 Flowers will apply to Webster as well. The fact that 2 this case is now before the bankruptcy court means that 3 there is a court of competent jurisdiction that can hear 4 many of the concerns of the Plaintiffs. And that fact 5 alone changes a lot of the ripeness arguments and things 6 that you will see.</p> <p>7 Nonetheless, it is the position of the State 8 that there has not been harm at this point to the 9 Plaintiffs.</p> <p>10 THE COURT: Sir, there hasn't been harm because 11 they haven't acted. What we have here, and I would like 12 you to get to the point, because -- and you can make your 13 record. I'm a very patient judge. I think most people 14 will agree with that. But I have two very serious 15 concerns because there was this rush to bankruptcy court 16 that didn't have to occur and should not have occurred. 17 And certainly Plaintiffs should not have been blind- 18 sided, and this Court and this process should not have 19 been ignored.</p> <p>20 We have the Michigan Constitution Article IX, § 21 24 that forbids the Emergency Manager to file bankruptcy 22 if pension plans or retirement system of this State or 23 its political subdivisions are diminished or impaired. 24 And the Constitution states: 25 The accrued financial benefits of</p> <p style="text-align: center;">14</p>
<p>1 THE COURTROOM: (No verbal response.) 2 THE COURT: No? Okay.</p> <p>3 MR. CANZANO: Which case would you like to go 4 first; Webster or Flowers?</p> <p>5 THE COURT: Mr. --</p> <p>6 MR. WERTHEIMER: Well, he goes first on Flowers 7 because it's his motion, so it's not my --</p> <p>8 THE COURT: Okay. Whatever you'd like.</p> <p>9 MR. DEVLIN: Thank you, your Honor. My name 10 is Brian Devlin, Assistant Attorney General.</p> <p>11 THE COURT REPORTER: Could you approach the 12 podium, please?</p> <p>13 THE COURT: Yeah. If everybody would speak 14 from the podium. The mikes work better. The court 15 reporter has better access to hear you. We'll make a 16 better record, and obviously the Court of Appeals and the 17 Supreme Court will need your record, please.</p> <p>18 MR. DEVLIN: Thank you, your Honor. Brian 19 Devlin appearing on behalf of the Defendants.</p> <p>20 As Mr. Quasarano has mentioned, that obviously 21 there's been a very dramatic change in circumstances 22 since the brief was filed. The petition in bankruptcy 23 has been filed as of yesterday. It changes some aspects 24 of this case from the State's perspective, but not all.</p> <p>25 The arguments that I make for the most part in</p> <p>13-53846-SW Doc 1219-10 Filed 10/17/13</p> <p>13-53846-tjt Doc 2334-28 Filed 12/27/13</p> <p style="text-align: center;">26</p>	<p>1 each pension plan and requirement 2 system of the state and its 3 political subdivisions shall be a 4 contractual obligation thereof 5 which shall not be diminished or 6 impaired.</p> <p>7 And the bankruptcy court will be doing exactly 8 that in its reorganization because the pensions are an 9 unsecured asset. And under the bankruptcy 10 reorganization, under a reorganization Chapter 9, there 11 is no reaffirmation of debt. If I were doing a Chapter 7 12 and wanted to go in and reaffirm payments on my car, I 13 could do so. But there is no way that you can go into 14 bankruptcy court and say, "I am going to reaffirm the 15 pension so that we don't disrupt that."</p> <p>16 So what we're doing here is violating the 17 Constitution. And then we have Michigan Compiled Law 18 141.1552, which precludes the Emergency Manager from 19 taking such actions. It states specifically in m -- (m) 20 and (ii):</p> <p>21 The emergency manager shall fully 22 comply with the public employee 23 retirement system investment 24 act --</p> <p>25 Which is --</p> <p>Entered 10/17/13 13:56:17 Page 6 of 13,000</p> <p>Entered 12/27/13 13:37:04 Page 18 of</p>

<p>1 -- 1965 PA 314, and § 24 of</p> <p>2 Article IX of the State</p> <p>3 Constitution of 1963, and any</p> <p>4 actions taken shall be consistent</p> <p>5 with the pension fund's qualified</p> <p>6 plan status under the federal</p> <p>7 internal revenue code.</p> <p>8 So tell me, sir, how do you get into bankruptcy</p> <p>9 court and not violate the Constitution of Michigan and</p> <p>10 not violate how the Emergency Manager is supposed to</p> <p>11 operate? Haven't we jumped the gun? What are you doing</p> <p>12 here, sir?</p> <p>13 MR. DEVLIN: I can understand your Honor's</p> <p>14 concerns. The position of the State is that none of</p> <p>15 these impairments have occurred yet.</p> <p>16 THE COURT: Only because the bankruptcy trustee</p> <p>17 hasn't got his teeth into it. It will occur. It's</p> <p>18 imminent, isn't it? Tell me how it's not imminent, sir?</p> <p>19 MR. DEVLIN: I can't predict the future.</p> <p>20 THE COURT: Yes, you can.</p> <p>21 MR. DEVLIN: I cannot.</p> <p>22 THE COURT: The bankruptcy court -- the</p> <p>23 bankruptcy court has a certain function. You're a</p> <p>24 lawyer. You understand the function of the bankruptcy</p> <p>25 court. That's why you ran there yesterday not slowly but</p> <p style="text-align: center;">16</p>	<p>1 that they have the power to address under 943, is just</p> <p>2 that; it's just speculation.</p> <p>3 THE COURT: It's a certainty, sir. You filed</p> <p>4 in bankruptcy court, which is federal because you know</p> <p>5 that certainty. I don't know how you get around it</p> <p>6 because it's an unsecured asset that cannot be</p> <p>7 reaffirmed, and there is no case law, and you know that</p> <p>8 as well because all of us stayed up all night looking for</p> <p>9 case law, and there is no case law. You can't tell me</p> <p>10 that it can be segregated out and reaffirmed.</p> <p>11 So these people that have this pension where it</p> <p>12 is supposed to be protected under the Constitution and</p> <p>13 under the legislative intent under the emergency manager</p> <p>14 legislation, it cannot survive. It cannot survive</p> <p>15 federal bankruptcy, and I have no jurisdiction there, and</p> <p>16 you know that. And that's why everybody made us wait as</p> <p>17 -- slowly we were waiting for your office to come here</p> <p>18 out of courtesy. We waited so we would have both sides</p> <p>19 present, which is what we do. We honor civility, and it</p> <p>20 was filed in order to bind everybody so this could occur,</p> <p>21 and it's cheating, sir, and it's cheating good people who</p> <p>22 worked.</p> <p>23 And so what's going to happen is we're not</p> <p>24 honoring the Constitution, we're not honoring the</p> <p>25 emergency manager legislation, and we're not honoring</p> <p style="text-align: center;">18</p>
<p>1 in your running shoes, right?</p> <p>2 MR. DEVLIN: I can't speak to that. I had</p> <p>3 nothing to do with it. But I can tell you about § 943 of</p> <p>4 the Bankruptcy Code, which affords all of the protections</p> <p>5 that we discussed in the brief that I've alluded to</p> <p>6 today.</p> <p>7 None of those injuries have occurred at this</p> <p>8 point. For that reason, we believe the claim is still</p> <p>9 speculative. Of course those are legitimate concerns,</p> <p>10 but the court, the bankruptcy court can address them.</p> <p>11 I referred to -- I'd also refer to <i>Straus</i>, the</p> <p>12 case cited in our brief too. If that injury has not</p> <p>13 occurred, as we contend, then it's an inappropriate</p> <p>14 remedy that the Plaintiffs are asking for today.</p> <p>15 Now, obviously you and I don't see this injury</p> <p>16 in quite the same terms, but that is the position of the</p> <p>17 State. The injury has not occurred at this point.</p> <p>18 THE COURT: That would be because the</p> <p>19 bankruptcy judge has not sat at his bench like I have and</p> <p>20 heard the case and started the reorganization, and that's</p> <p>21 the only reason. For me to believe what you're saying</p> <p>22 would be -- would make me Helen Keller who's not yet</p> <p>23 learned the alphabet.</p> <p>24 MR. DEVLIN: I think anything that you and I</p> <p>25 speculate about that the bankruptcy court might order,</p>	<p>1 good citizens, and we're also not honoring the President</p> <p>2 who took Detroit out of bankruptcy. What are we doing,</p> <p>3 sir?</p> <p>4 MR. DEVLIN: Your Honor, I understand what</p> <p>5 you're saying, but I would take exception to the motion</p> <p>6 that somehow the Attorney General's Office delayed or</p> <p>7 dragged its feet or in any way tampered with the</p> <p>8 proceedings yesterday. Now, I wasn't here. I wasn't</p> <p>9 part of them, but I don't believe that's the case.</p> <p>10 THE COURT: It looks that way, sir. If somehow</p> <p>11 that's not the case, I apologize, but it's the old saying</p> <p>12 if it looks like a duck, you know the rest.</p> <p>13 MR. DEVLIN: Well, I don't want to speculate on</p> <p>14 who did what yesterday. As I said, I wasn't here.</p> <p>15 THE COURT: Thank you.</p> <p>16 MR. DEVLIN: But it is our position that until</p> <p>17 that injury occurs and in light of <i>Straus</i>, in light of</p> <p>18 the jurisdiction of the bankruptcy court, that this</p> <p>19 motion should be -- er, the motion is inappropriate. The</p> <p>20 State's motion should be granted --</p> <p>21 THE COURT: Sir --</p> <p>22 MR. DEVLIN: -- thank you.</p> <p>23 THE COURT: Let me ask you this: If the injury</p> <p>24 occurs, isn't it then too late, much too late, way too</p>

1 injury. The leg has been amputated, and we cannot fix
2 it.

3 MR. DEVLIN: We don't know, is my position on
4 that. We don't know, and there is opportunity for this
5 very issue to be heard in the bankruptcy court.

6 THE COURT: But there is no opportunity in the
7 bankruptcy court for them to fix the harm. Do you have
8 any law that says the bankruptcy court can fix the
9 pension fund because I haven't found that either, and
10 I've looked?

11 MR. DEVLIN: Again, I understand the pension
12 fund to be tremendously under funded. There are many
13 problems here, far beyond what's gone on in the last
14 24 hours. But the court, the bankruptcy court does have
15 jurisdiction to hear these arguments, to note the
16 Michigan Constitutional provisions, and to order what it
17 feels it must order.

18 THE COURT: Okay.

19 MR. DEVLIN: Thank you.

20 THE COURT: Thank you.

21 MR. WERTHEIMER: Your Honor, I'll be brief.
22 First, I would just point out to the Court that this is a
23 motion under C -- MCR 2.116(C)(4), (5), and (8): That
24 is, it's a claim that there is no jurisdiction over the
25 subject matter; it's a claim that my clients have no

20

1 capacity to sue because apparently they're not being
2 injured; and it's a claim that we have failed to state a
3 claim.

4 As to the law relating to those three points, I
5 would rely upon the briefs that I have filed, including
6 the reply brief that I filed yesterday in which I did
7 take the position that we should not hear -- that the
8 Court should not hear the motion to dismiss but in which
9 I dealt with all of those issues, and I won't repeat
10 those arguments.

11 I would just point out a couple of things:
12 First of all, counsel says that he cannot predict the
13 future. The Detroit Emergency Manager, who is a
14 competent lawyer familiar with bankruptcy, has predicted
15 the future, and we quoted him in our complaint as saying,
16 essentially, that once he gets into bankruptcy, the
17 constitutional rights of our clients will disappear, will
18 be "trumped" in his words or in the words of the reporter
19 quoting him. And I think that was -- there was an
20 interview and there was also his statements made to the
21 Detroit Free Press Editorial Board.

22 But the point being that the Detroit Emergency
23 Manager has had no reluctance to predict the future, and
24 his prediction is consistent with our claim and with the

1 just simply is not credible for an attorney for the
2 Governor and the State Treasurer to come here today and
3 say he can't predict the future when we indicated in our
4 complaint that the future could be predicted.

5 I would also point out that since we were in
6 court yesterday, we now have not just the bankruptcy but
7 filings related to that bankruptcy. I'm not going to
8 introduce these documents, but I understand that counsel
9 in the Webster case that will be argued when we're done
10 here will be introducing them. I would simply point out
11 that we've got correspondence back and forth between the
12 Detroit Emergency Manager and the Governor requesting the
13 authorization and the Governor approving the
14 authorization, in which there is not a word mentioned
15 about Article IX, § 24 of the Michigan State
16 Constitution.

17 Our Governor does not feel that that's
18 relevant. He goes on for pages in his authorization,
19 obviously for public relation's purposes, talking about
20 how deeply he cares about the city of Detroit, etcetera,
21 etcetera, but not one word about Article IX, § 24 of the
22 Constitution. And, of course, no such word from Mr. Orr
23 in his request to the Governor.

24 So counsel's essentially saying "No harm yet.
25 Don't worry. Maybe bankruptcy court will take care of

22

1 it." But the people who are taking it into bankruptcy,
2 have taken it into bankruptcy have made very clear
3 they're not going to take care of it in bankruptcy.

4 And finally just the obvious point, but I think
5 needs to be reiterated with all the flurry going on that
6 the whole point of injunctive relief is to prevent a harm
7 that has not yet occurred, and that's all we're seeking
8 with our overall lawsuit and all we were seeking with our
9 motion for preliminary injunction, which this Court has
10 already granted. Thank you.

11 MR. QUASARANO: Your Honor, I think that the
12 State's briefing and argument sufficiently presents the
13 State's position, but I know the Court is patient, and I
14 would ask the Court's indulgence on the one matter of my
15 appearance here yesterday, and I would like to make this
16 clear for the record, if I may, but for Mr. Wertheimer,
17 who is counsel for the Flowers and others case, I would
18 not have known that the General Retirement System of the
19 City of Detroit, et al., even had a TRO motion scheduled.

20 The only communication I had with counsel for
21 that, those Plaintiffs, was the night before asking if we
22 could accept service on the Governor, which, as the Court
23 knows, we're barred from accepting service on behalf of a
24 State Defendant. Until the State Defendant is served, we

<p>1 I was told there would not be any preliminary 2 injunction or TRO sought in that case. I do understand 3 that situation had changed in the hours after that. But, 4 but for Mr. Wertheimer calling me, counsel in another 5 case, I would not have known. When he called me, and the 6 transcript yesterday says it was around 3:30 or so, and 7 then I arrived as quickly as I could walk over here. So 8 there was no delay on behalf of the Attorney General's 9 Office to be here, to represent the State's interest, to 10 be here to answer this Court's questions. And any delay 11 at all was because we were notified by counsel for the 12 Plaintiffs yesterday that they intended to bring the 13 motion. Thank you for letting me clarify that.</p> <p>14 THE COURT: Thank you. 15 Anything further, sir?</p> <p>16 MR. DEVLIN: Nothing further. Thank you.</p> <p>17 THE COURT: Defendants have filed a motion for 18 summary disposition pursuant to (4), which is: 19 The Court lacks jurisdiction of 20 the subject matter.</p> <p>21 This Court absolutely has jurisdiction of the 22 subject matter. It's a state question. I know they've 23 removed it to federal bankruptcy court, but we still have 24 very serious state questions. We have the State 25 Constitution, Article IX, § 24. We have an emergency 24</p>	<p>1 The opposing party has failed to 2 state a claim on which relief can 3 be granted.</p> <p>4 I see problems all over the place. I stated 5 them. I don't think I need to be redundant. Clearly 6 there are numerous claims and issues. I won't be 7 redundant. The relief requested is denied. Motion for 8 summary disposition is denied.</p> <p>9 MR. WERTHEIMER: Thank you, your Honor. 10 THE COURT: Who's preparing the order? 11 MR. QUASARANO: I'll be preparing it for you, 12 Judge.</p> <p>13 THE COURT: Thank you, very much, sir. 14 MR. QUASARANO: Thank you. 15 THE COURT: Next matter? 16 MR. WERTHEIMER: We are -- I am done relative 17 to the Flowers case.</p> <p>18 THE COURT: Thank you, very much, sir. 19 MR. WERTHEIMER: I'll vacate. I think there 20 are others lawyers in the room with another related case. 21 So I'll wait in the courtroom but vacate counsel table.</p> <p>22 THE COURT: Thank you. 23 MR. WERTHEIMER: Thank you. 24 MR. CANZANO: Your Honor, John Canzano on 25 behalf of the Plaintiffs in the Webster case. I would 26</p>
<p>1 manager statute, and we have a Constitution at issue. 2 State issues are within the purview of this Court. I 3 don't care that it was removed to bankruptcy court. 4 There is nothing here that tells me it was properly 5 removed to federal bankruptcy court because there is a 6 procedure in place of how it gets removed. And this 7 Court does not believe it was properly placed in the 8 hands of the bankruptcy court because it is going to 9 affect pensions. Once it affects pensions, which is 10 clearly what it's going to do, it's in violation, and the 11 Governor can't give permission for it to go to bankruptcy 12 court. It's very clear. I think a first-year law 13 student understands the concept. And I know the Governor 14 is not a lawyer, but he has very well paid lawyers who do 15 understand the concept.</p> <p>16 The party asserting the claim 17 lacks the legal capacity to sue.</p> <p>18 That is MCR 2.116(5). A party asserting the 19 claim lacks the legal capacity to sue? How is that 20 possible? They're interested parties. Absolutely they 21 have capacity to sue. The pension's involved, the 22 pension related to the parties. I don't see any problems 23 there.</p> <p>24 And then we have (8), which is always a 25 catch-all.</p> <p>13-53846-swr Doc 1219-10 Filed 10/17/13 Entered 10/17/13 13:56:17 Page 9 of 18 13-53846-tjt Doc 2334-28 Filed 12/27/13 Entered 12/27/13 13:37:04 Page 21 of 47</p>	<p>1 like to clarify the relief that we are seeking here 2 today. We -- our complaint sought declaratory judgment 3 and preliminary injunction. Today we are seeking only a 4 declaratory judgment.</p> <p>5 I have taken the liberty of preparing an order 6 for declaratory judgment which I can present when I'm 7 done, and the Court may or may not want to say everything 8 that I've said in there, but I think we are entitled to 9 that relief. The briefs -- this has all been briefed 10 already. I don't need to go over that.</p> <p>11 The State's defense to our motion did not 12 contest the facts and did not contest the substance of 13 the merits of the law, which is that the Constitution 14 prohibits diminishment of pension -- accrued pension 15 benefits. They simply -- they simply said the case is 16 not ripe, and there is not an actual controversy for a 17 declaratory judgment.</p> <p>18 Now, after yesterday, it's obviously ripe. We 19 cited a case in our reply brief, <i>City of Lake Angelus</i>, 20 which amazingly is almost on all fours with this case. I 21 won't describe that case again except to say that that 22 was a case where the Attorney General made the argument 23 that there was no injury and there was no need for 24 declaratory judgment because a request to a tribunal had 25 not been made and the tribunal had not acted.</p>

<p>1 court correctly ruled that the -- there is an actual 2 controversy because the parties need the court to tell 3 them what their rights and obligations are so they know 4 what to do in the future; whether this tribunal could 5 overrule a local ordinance which prohibited sea planes on 6 Lake Angelus, even though they hadn't been asked and they 7 hadn't ruled. So that part is exactly what we have. Now 8 we have the bankruptcy has been filed.</p> <p>9 I would like to offer a couple exhibits, which 10 are the July 16th letter from Emergency Manager Orr 11 requesting authorization to file for Chapter 9, which 12 amazingly this happened on Tuesday, and none of our -- 13 none of our crack reporters knew about this. Nobody knew 14 about this until yesterday. This was a secret letter.</p> <p>15 And the July 18th letter from yesterday of the 16 Governor authorizing Emergency Manager Orr to file for 17 Chapter 9. And I think if you look at these two letters, 18 it is crystal clear what the judge has already concluded 19 in the prior case; that not only does the bankruptcy 20 threaten to impair but that that is the goal and the 21 intent of the emergency manager is to impair accrued 22 pension benefits in bankruptcy.</p> <p>23 I'll give these to opposing counsel. These are 24 -- they're a matter of public record now. I just wrote 25 Exhibit A and Exhibit B on them.</p> <p style="text-align: right;">28</p>	<p>1 such action by the Governor is without authority and in 2 violation of Article IX, § 24. And what happened 3 yesterday was a violation of the Constitution.</p> <p>4 Now, my declaratory judgment order declares 5 these statements. It also has a paragraph at the end 6 that says:</p> <p>7 In order to rectify his 8 unauthorized and unconstitutional 9 actions described above, the 10 Governor must: One, direct the 11 Emergency Manager to immediately 12 withdraw the Chapter 9 petition 13 filed on July 18th. And, two, 14 not authorize any further Chapter 15 9 filing which threatens to 16 diminish or impair accrued 17 pension benefits.</p> <p>18 Now, this is just a declaratory judgment. So 19 it is my hope that if the Court is willing to enter this, 20 that the Governor will obey his oath of office and follow 21 what the Constitution requires. And so -- and if he does 22 not, then we may be back here on -- with another 23 iteration of this that requires some type of injunctive 24 relief.</p> <p>25 At this time we're not seeking injunctive</p> <p style="text-align: right;">30</p>
<p>1 (Approaching the bench.) 2 THE COURT: All right. Thank you.</p> <p>3 MR. CANZANO: As to the merits, I think again 4 it is very clear this isn't a case where you need case 5 law. You just read the Constitution. It says accrued 6 pension benefits shall not be diminished or impaired. 7 The Constitution says that. The Emergency Manager law 8 says the Governor can authorize the Emergency Manager to 9 file for Chapter 9. And it doesn't prohibit that -- it 10 doesn't require that pension benefits be protected when 11 he files for Chapter 9. And it is, therefore, 12 unconstitutional to that extent.</p> <p>13 THE COURT: Is there any objection to the Court 14 receiving Exhibit A and B?</p> <p>15 MR. DEVLIN: No objection, your Honor.</p> <p>16 THE COURT: A and B are received. Thank you.</p> <p>17 (At 12:04 p.m., Exhibit A and 18 Exhibit B is received.)</p> <p>19 MR. CANZANO: So the emergency manager law is 20 unconstitutional to the extent that it allows the 21 Governor to authorize a Chapter 9 filing which threatens 22 to diminish or impair pension benefits. And the Governor 23 is prohibited by Article IX, § 24 from authorizing an 24 emergency manager to proceed under Chapter 9 in a manner 25 which threatened to impair accrued pension benefits. Any</p> <p>13-53846-SW Doc 1219-10 Filed 10/17/13 13-53846-tjt Doc 2334-28 Filed 12/27/13</p> <p style="text-align: right;">26</p>	<p>1 relief, so I would -- I would withdraw our request for 2 preliminary injunction without prejudice. And I'd also 3 ask, if this order is entered, that the temporary 4 restraining order entered yesterday be vacated or 5 expired, and all we want is a declaratory judgment right 6 now.</p> <p>7 THE COURT: And the reason to vacate or expire 8 the temporary-restraining order?</p> <p>9 MR. CANZANO: Because now we have the default 10 judgment and the TRO. I don't remember what the court 11 rule says, but it cannot only exist for a short period of 12 time on its own, and this is the tact that we would like 13 to take because we would like to tell the Governor, "This 14 is what you're supposed to do." And then if he doesn't 15 do that, then we'll then -- we'll reassess our options.</p> <p>16 THE COURT: Okay. Thank you.</p> <p>17 MR. CANZANO: May I present my draft order?</p> <p>18 THE COURT: Yes. Have you presented it to the 19 other side?</p> <p>20 MR. CANZANO: I have not.</p> <p>21 THE COURT: Thank you.</p> <p>22 MR. QUASARANO: We've looked at this, 23 your Honor.</p> <p>24 MR. CANZANO: Just as to the matter of the 25 jurisdiction in the bankruptcy court, I don't think</p> <p>Entered 10/17/13 13:56:17 Page 10 of 1004 Entered 12/27/13 13:37:04 Page 22 of</p>

1 anyone is arguing -- I don't think the Attorney General
2 is arguing that our case is stayed by the bankruptcy
3 court because we're not suing the Emergency Manager.
4 We're only suing the Governor and the Treasurer and the
5 State of Michigan, and they're not -- they're not in the
6 bankruptcy court. They're not the debtor, so that's an
7 argument that has been raised. But, just for clarity, I
8 wanted to point that out. That's all I have.

9 THE COURT: Thank you.
10 Response?

11 MR. DEVLIN: Thank you, your Honor. Brian
12 Devlin again on behalf of the Defendants. I won't repeat
13 the discussion we had on the Flowers case. Much of that
14 applies. The relief sought in each of these cases is the
15 same position of the State, is that the bankruptcy court
16 jurisdiction has a great effect on this, and that the
17 reliefs that might be desired by the Plaintiffs are
18 available through that court. Furthermore, we'd cite the
19 *Straus* case as well in this reply.

20 I would like to call the Court's attention to
21 just one other thing: There was reference made to the
22 Governor's obligation to uphold the terms of the United
23 States -- of the State Constitution but that also applies
24 to the United States Constitution, and bankruptcy court
25 is certainly someone he may have to answer to as well.

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1 So that should not be lost sight of.
2 Finally, I wanted to point out that we do have
3 a motion for summary disposition pending in this case as
4 well. And I would rely on the arguments in the brief.
5 And the ones I've just restated as well to ask that that
6 relief be granted. Thank you.

7 THE COURT: Are you asking that that be heard
8 now, or would you like me to make a ruling on that now?

9 MR. DEVLIN: I think you could probably make a
10 ruling on it without further argument.

11 THE COURT: I think so too.

12 MR. DEVLIN: All right.

13 THE COURT: Okay.

14 MR. DEVLIN: Thank you.

15 THE COURT: Anything further?

16 MR. CANZANO: Nothing further, your Honor.

17 THE COURT: All right.

18 As to the motion for summary disposition in
19 regard to Defendants' motion is denied. I'm going to
20 incorporate the transcript, the arguments of the Flowers
21 matter into this file. I think that in order to have a
22 complete argument, we're going to consolidate the
23 arguments and the files for the purpose of today because
24 they are really united. They are part and parcel of the
25 same arguments. We really had a complete

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1 transcript without looking at both.

2 So I'm going to direct the court reporter to
3 treat today as one transcript despite there being two
4 docket numbers, and I didn't even call both of them, but
5 we just sort of started, but we're really dealing with
6 Dockets 13-734-CZ and 13-729-CZ.

7 So the motion for summary disposition in regard
8 to 13-734-CZ, and that's Defendants' motion for summary
9 disposition is denied based on the same rationale the
10 Court had and reasoning in the prior case.

11 In regard to the request for declaratory
12 judgment, I think it is imperative that the Court sign
13 this. It's absolutely needed. And the Governor, I have
14 to believe, took his oath in all sincerity to uphold the
15 United States Constitution and the State of Michigan
16 Constitution. I hope he rereads certain sections and
17 reconsiders his actions.

18 I am finding the actions that have been taken
19 in regard to filing this action in the bankruptcy court
20 as overreaching and unconstitutional as it applies to
21 what the Detroit Emergency Manager Kevyn Orr has done in
22 conjunction with the Governor.

23 So I find it absolutely necessary to sign this
24 order of declaratory judgment. I am also going to order,
25 in addition to what you have crafted here, that a copy of

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1 this order be forwarded to President Obama. I know that
2 he's watching this, and he's bailed out Detroit. If this
3 is going to ultimately proceed to bankruptcy without
4 anyone paying attention to Michigan's Constitution and to
5 what the legislature drafted and to what the Governor
6 himself signed into law, then there will ultimately be a
7 request that Obama will have to look at the pension, so
8 he might as well follow this. He said in the news-that
9 he's following this. He might as well see what we've all
10 done here. It's that important to the State of Michigan
11 and to the thousands of people who will be affected, and
12 ultimately all of the taxpayers of the state of Michigan
13 are going to be affected because we will all have to pick
14 up the tab if this is not honored as it should be.

15 Additionally, I am asked that the temporary
16 restraining order be quashed and nullified, so that is
17 now withdrawn, and it expires today at 12:15. And the
18 order of declaratory judgment is being signed as that
19 expires.

20 Is there anything else for the record?

21 MR. WERTHEIMER: Not for the Plaintiffs in
22 Flowers, your Honor.

23 MR. QUASARANO: I'm obliged, your Honor, to
24 move for a stay of enforcement of the order of

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1 THE COURT: You are obliged. I am obliged as
2 well to deny.
3 MR. QUASARANO: I'll have an order ready.
4 Thank you, Judge.
5 THE COURT: I look forward to signing all of
6 those orders today. I will be in until 5 or so. And I
7 haven't looked at Monday's docket. Have we taken care of
8 all of Monday or not?
9 MR. WERTHEIMER: I think, as to the Plaintiffs
10 in Flowers, you have because our motion was for
11 preliminary injunction, which you have granted and will
12 be providing us with that order, and their motion was for
13 summary disposition, which you've denied. I believe that
14 was all that was up in Flowers. So that the Flowers case
15 continues, but there is nothing up for Monday in Flowers.
16 MR. QUASARANO: Defendants concur in Flowers.
17 THE COURT: Okay. My law clerk is making
18 copies, multiple copies, of the order I've just signed.
19 I am here on a moment's notice as you all have
20 become accustomed to if you need me.
21 MR. WERTHEIMER: Thank you, your Honor.
22 THE COURT: That's all for the record.
23 MR. CANZANO: Thank you, your Honor.
24 Appreciate the Court's ability and willingness to help us
25 out on this urgent time.

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1 THE COURT: Thank you.
2 (At 12:16 p.m., the matter is
3 concluded.)
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1 STATE OF MICHIGAN)
2) SS.
3 COUNTY OF INGHAM)
4

5
6 CERTIFICATE OF REPORTER

7 I, Melinda I. Dexter, Certified Shorthand
8 Reporter, do hereby certify that the foregoing
9 37 pages comprise an accurate, true, and complete
10 transcript of the proceedings and testimony taken in the
11 case of Gracie Webster, et al. versus Richard Snyder, et
12 al., Case Nos. 13-734-CZ and 13-729-CZ, on Friday,
13 July 19, 2013.

14 I further certify that this transcript of the
15 record of the proceedings and testimony truly and
16 correctly reflects the exhibits, if any, offered by the
17 respective parties. WITNESS my hand this the nineteenth
18 day of July, 2013.
19
20
21

22 
23 Melinda I. Dexter, RMR, RPR, CSR-4629
24 Official Court Reporter
25 313 West Kalamazoo
Post Office Box 40771
Lansing, Michigan 48901-7971

STATE OF MICHIGAN
IN THE 30TH CIRCUIT COURT FOR THE COUNTY OF INGHAM

WEBSTER, ET AL

Plaintiff,

v

RICK SNYDER, ET AL

Defendant.

ORDER

HON. ROSEMARIE E. AQUILINA

Docket No: 13-734-CZ

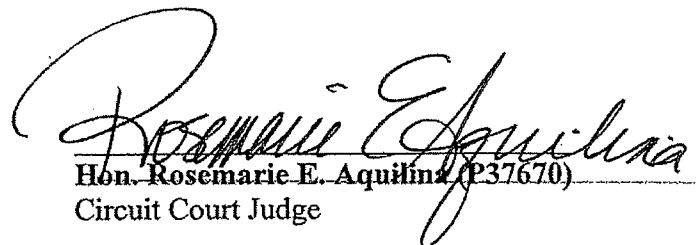
At a session of said Court in the City
of Lansing, County of Ingham, State of Michigan,
this 19 day of July, 2011

PRESENT: The Honorable Rosemarie E. Aquilina
30th Judicial Circuit Court Judge

Upon review of motion, and a hearing being held in open court, and argument having
been heard, and being fully apprised of the issues, states the following:

IT IS ORDERED that DEFENDANTS' MOTION FOR SUMMARY
DISPOSITION IS DENIED FOR THE REASONS STATED
FROM THE BENCH.

IT IS SO ORDERED.


Hon. Rosemarie E. Aquilina (P37670)
Circuit Court Judge

Approved as to form:

Plaintiff / Plaintiff's Attorney

Defendant / Defendant's Attorney